

# FISCAL NOTE

## SB 563 - HB 1434

February 14, 2005

**SUMMARY OF BILL:** Amends the retirement law by increasing the benefit improvement from 5% up to 10% effective January 1, 2006 provided the TCRS Board of Trustees determines that the recommended employer contribution rate for state employees and teachers is less than the rate in effect on June 30, 2005.

### ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$18,858,800 - \$94,294,000 Annual  
Amortized Cost**

**Increase Local Govt. Expenditures\* - \$7,163,000 - \$35,815,000 Annual  
Amortized Cost**

**Other Fiscal Impact – Increase Federal/Other Expenditures -  
\$2,704,800 – \$13,524,000 Annual Amortized Cost**

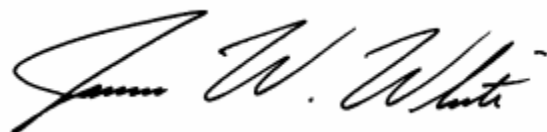
#### Assumptions:

- Total lump sum pension liability of \$283,779,000 - \$1,418,896,000
- At least one-fifth (1/5<sup>th</sup>) of such liability must have sufficient appropriations available to grant any increase
- A range is shown since the 5% improvement is subject to prorated adjustment if the contribution rate decline is insufficient to fund the entire improvement
- Annual amortization cost assumes a 20-year lump sum liability
- K-12 teachers assume a 60%-40% ratio between state and local funding

\*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

### CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director